



DEPARTMENT OF ADMINISTRATION

INDUSTRIAL SPECIAL INDEMNITY FUND

First Quarter Report
March 31, 2006
Calendar Year 2006

*Industrial Special Indemnity Fund (ISIF) – First Quarter Report for Calendar Year 2006
pursuant to Idaho Code §72-324.*

Ted Roper, ISIF Manager

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BENEFITS

Annuitant Periodic Benefits

Annuitant benefits are paid to individuals who have been awarded or have negotiated a settlement for periodic monthly benefits. Benefits are paid based on a percentage of the applicable state average weekly wage for year of benefit, the year of the injury and the injured worker's average weekly wage. Most annuitant benefits are also subject to the Carey formula, which apportions total and permanent disability benefits between the ISIF and the employer/surety. Annuitant benefits generally are paid for life.

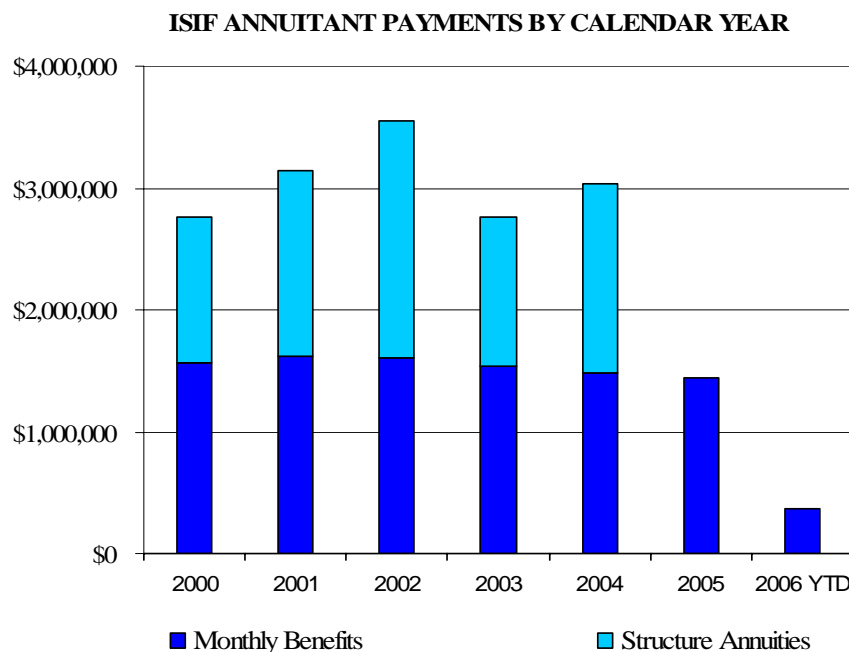
2006 STATE AVERAGE WEEKLY WAGE

Base of 45% ASW = \$244.35

Base of 60% ASW = \$325.80

Base of 67% ASW = \$363.81

ISIF ended the first quarter of calendar year 2006 with 114 annuitants who received \$363,335.62 in the form of monthly benefits. Annuitant benefits paid in calendar year 2005 was \$1,447,166. *Note:* In prior years ISIF had utilized structure annuities as a means to fund future annuitant monthly benefits.



An arrearage benefit may be owed upon settlement of a claim and prior to the commencement of current monthly benefits. An arrearage is most likely to occur on judgment loss or consent to entry of judgment claims. Arrearage benefits paid 2006 year to date total \$581. In calendar year 2005, \$1,558,964 was paid in arrearage benefits.

MONTHLY & ARREARAGE BENEFIT

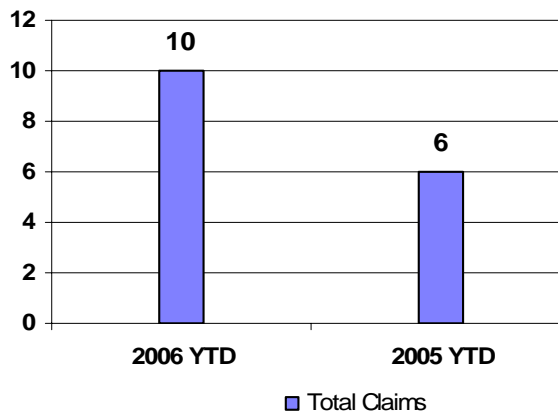
	CALENDAR YEAR			
	1st Quarter 2006	2006 YTD	2005 YTD	2005 Total
Monthly Annuitant Payments	\$363,675	\$363,675	\$355,213	\$1,447,166
Arrearage Benefit	581	581	54,874	111,797
Total Benefit	\$364,256	\$364,256	\$1,558,964	\$1,558,963

Settlement Benefits

Lump sum and lump sum/statutory benefits are the two types of settlement options. Lump sum benefits are one time only cash payments issued upon settlement of a claim. Lump sum/statutory benefits are settlements in which a lump sum payment may be made upon settlement; however, some form of future periodic benefit will also be paid.

In the first quarter of calendar year 2006, the average lump sum benefit was \$40,700. In 2005, the average lump sum benefit was \$33,434.

LUMP SUM BENEFITS



CLAIMS ADJUDICATION

Claims adjudication is a two-fold process involving both the filing of a Notice of Intent (Informal) or Workers' Compensation Complaint Against ISIF (formal) by claimants and/or employer/sureties alleging ISIF liability, and the final determination of those claims by result outcomes (non-merit, settlement or judgment loss).

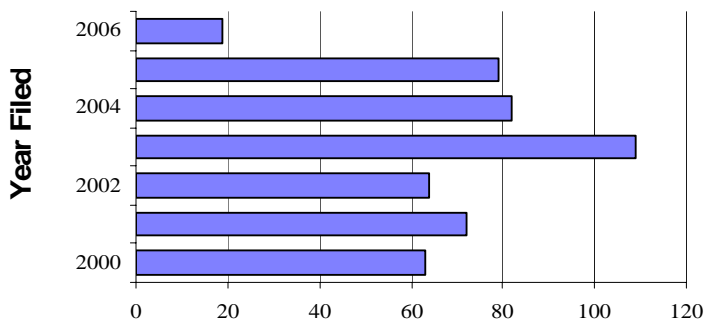
New Claim Filings

New claim filings had stabilized over the past seven years averaging 70 filings per year.

New claims filed year to date is 11% higher than calendar year 2005.

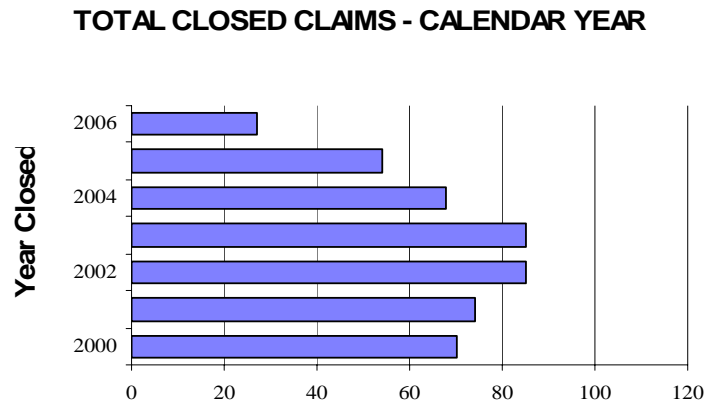
In general, these new claims represent potentially greater liability as workers compensation claims become more complex legally and medically, with economic downturns creating more difficult return to work issues.

TOTAL NEW CLAIMS - CALENDAR YEAR



Closed Claims

In Calendar Year 2005, 63 new claims were received and 55 claims were closed resulting in a net of 115 open litigated claims as of December 31, 2005. Open litigated claims on March 31, 2006 totaled 106.



Result Outcomes

In year to date 2006, 95% of closed claims were non-merit and settled claims. In 2005, non-merit and settled claims accounted for 95% of the total closed claims. These percentages follow very closely the same result percentages of previous years.

LITIGATION COSTS ASSOCIATED WITH SETTLEMENT & JUDGMENT LOSS CLAIMS

TOTAL LITIGATION COST BY RESULT OUTCOME						
	LUMP SUM		LSS WITH STAT BEN		JUDGMENT LOSS	
	Number Claims	Litigation Cost	Number Claims	Litigation Cost	Number Claims	Litigation Cost
2001	31	193,216	2	5,347	1	11,870
2002	46	66,737	2	8,115	3	43,238
2003	35	106,178	1	984	3	40,499
2004	34	161,926	7	54,065	2	35,928
2005	23	147,735	4	31,200	2	22,440
TOTAL	169	\$675,792	16	\$99,711	11	\$153,975
AVERAGE CLAIM COST BY RESULT		\$3,125		\$4,282		\$11,958
2006 YTD	10	\$460,000	1	\$20	0	\$0
AVERAGE CLAIM COST BY RESULT		\$46,000		\$20		

LITIGATION COSTS ASSOCIATED WITH NON-MERIT CLAIMS

TOTAL LITIGATION COST BY RESULT OUTCOME								
	DIS W/O		DIS W/P		DENIED		JUDGE WIN	
	Number Claims	Litigation Cost	Number Claims	Litigation Cost	Number Claims	Litigation Cost	Number Claims	Litigation Cost
2001	4	28,206	1	7,313	19	1,466	9	161,758
2002	6	61,369	1	13,768	18	3,060	6	135,022
2003	2	2,643	1	259	35	14,007	2	38,194
2004	4	12,190	3	23,729	14	6,124	4	71,204
	7	34,894	0	0	13	12,352	5	44,500
TOTAL	23	\$139,302	6	\$45,069	99	\$37,009	26	\$450,678
AVERAGE CLAIM COST BY RESULT		\$4,539		\$7,512		\$249		\$15,622
2006 YTD	3	\$36,035	1	\$6,611	10	\$1,848	1	\$12,608
AVERAGE CLAIM COST BY RESULT		\$12,012		\$6,611		\$185		\$12,608

Result Outcomes Definitions:

Non-Merit Claims

- Dismissal without Prejudice – Dismissal by the Industrial Commission but allows the claimant to sue again on the same cause of action.
- Dismissal with Prejudice – Final disposition of a claim by the Industrial Commission barring the right to bring another claim on the same cause.
- Judgment Win – Final decision by the Industrial Commission on a fully litigated claim determining no liability to the ISIF.
- Denied – An in-house denial of ISIF liability.

Settled Claims

- LSS – Lump Sum settlement agreement.
- LSS/Stat Bens – Lump sum settlement that includes monthly benefits to be paid in the future.

Judgment Loss

- Judgment Loss – Final decision by the Industrial Commission on a fully litigated claim determining ISIF to have liability.

Appeal Affirmed

- Appeal from the Industrial Commission decision affirmed by the State Supreme Court

Appeal Reversed

- Appeal from the Industrial Commission decision reserved by the State Supreme Court

Litigation Cost

Litigation costs are expended to numerous sub-object codes as bills are paid during a claim's adjudicated life. Once the adjudication process is completed, a report is submitted to the Industrial Commission reporting all litigation costs incurred during the life of the claim.

LITIGATION EXPENDITURES
QUARTER & CALENDAR YEAR

	1st Quarter 2006	2006 YTD	2005 YTD
7090-01 Attorney Fees	\$130,390	\$130,390	\$79,881
7090-02 Costs & Expenses	3,692	3,692	3,383
7090-03 Medical/Vocational Reprt	6,583	6,583	250
7090-04 Deposition Costs	6,727	6,727	5,133
7090-05 Investigations	-	0	256
7090-06 Research or Briefs	-	-	-
7090-07 Appeal Attorney Fees	0	0	1,031
7090-08 Appeal Costs & Expenses	0	0	40
7090-12 Medical Expenses (IME)	0	0	4,676
7090-13 Rehabilitation	2,969	2,969	7,564
7090-14 Adjuster Expenses	86	86	543
7090-15 Refund	-	-	-
Total Litigation Expenditures	\$150,447	\$150,447	\$102,756

ADMINISTRATIVE OPERATIONS

Revenue

The ISIF was dependent on a levy system for revenue funding prior to July 1, 1997. The levy was a percent of certain paid benefits assessed to insurance companies and self-insured employers on individual claims at the time of claim closure. Over time the levy was inadequate to provide the sustained revenue needs of the ISIF.

Without a change in revenue funding, the ISIF would have been unable to satisfy its obligations in early 1998.

ASSESSMENT FORMULA BASED ON FISCAL YEAR

Fiscal Year	2004	2005	2006
Total Expenditures FY	\$4,720,163	\$3,292,704	
Cash Available			
As of 6/30	5,227,340	6,795,081	
Assessment	\$4,212,987	-\$209,673	

Formula: Two times total expenditures less cash available equals assessment.

The current revenue system creates a method of funding that is certain.

ASSESSMENT TIME LINE

Assessment Date	Total Assessment	Indemnity Period	Due Date	Payment Amount
June 30, 2004	\$4,212,987	7-1-04-->12-31-04	Apr-05	\$2,106,494
		1-1-05--> 6-30-05	Sep-05	\$2,106,494
June 30, 2005	-\$209,673	7-1-05-->12-31-05	Apr-06	-\$104,837
		1-1-06-> 6-30-06	Sep-06	-\$104,837

Expenditure

The Industrial Special Indemnity Fund's administrative operating expenditures include salaries for three full time employees and general office expense. Operational expenditures for 2006 year to date are \$56,862. Total operational expenditures for calendar year 2005 were \$267,217.

Benefit expense reflects all benefits paid in lump sum, arrearage or monthly annuitant payments. Total litigation costs; include all costs associated with claims adjudication such as attorney fees and costs, depositions, vocational rehabilitation and investigation

REVENUE - EXPENDITURE REPORT

CALENDAR YEAR 2006

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2006 YTD	2005 YTD
Revenue						
Beginning Cash Available	\$ 7,654,293				\$ 7,654,293	\$ 6,108,867
Assess/Interest Actual	81,815				81,815	85,562
Misc Rev/Refunds	3,097				3,097	1,233
Total Cash Available	7,739,205				7,739,205	6,195,662
Expenditure						
Administrative	56,862				56,862	58,148
Benefits	770,916				770,916	607,505
Litigation	150,446				150,446	102,756
Levy Refund					-	
Total Expenditures	978,224				978,224	768,409
ISIF Annuitant						1,438
Calendar Year 2006						
Ending Cash Balance	6,760,981				6,760,981	5,428,691

REVENUE - EXPENDITURE REPORT

FISCAL YEAR 2006

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2006 YTD
Revenue					
Beginning Cash Available	\$6,795,080	\$6,669,745	\$7,654,293	-	\$6,795,080
Levy/Interest	-	-	-	-	-
Assessment/Interest	646,092	1,691,106	84,912	-	2,422,110
Total Cash Available	\$7,441,172	\$8,360,851	\$7,739,205	-	\$9,217,190

Expenditure

Administrative	\$81,083	\$60,057	\$56,862	-	198,002
Benefits	552,087	500,016	770,916	-	1,823,020
Litigation	137,501	147,923	150,447	-	435,868
Levy Refund	-	-	-	-	-
Total Expenditures	\$770,671	\$707,996	\$978,224	-	\$2,456,890
ISIF Annuitant	759	1,438	-	-	(679)

Fiscal Year 2005

Ending Cash Balance	\$6,669,745	\$7,654,293	\$6,760,981	-	\$6,760,981
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